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TO RUEHSI/AMEMBASSY TBILISI IMMEDIATE 2108  
INFO RUEHAK/AMEMBASSY ANKARA PRIORITY 1384

C O N F I D E N T I A L STATE 132579

SIPDIS

E.O. 12958: DECL: 12/31/2019  
TAGS: [ENRG](#) [ETRD](#) [GG](#) [IR](#) [PREL](#)  
SUBJECT: IRANIAN INVESTMENT IN GEORGIA'S HYDROPOWER SECTOR

REF: A. A: TBILISI 01211  
[1](#)B. B: STATE 114408  
[1](#)C. C:TBILISI 01738  
[1](#)D. D: STATE 070201

Classified By: EUR Acting A/S Stuart Jones for reasons 1.4  
b) and (d).

[1](#)1. (U) This is an action request. Please see paragraph 3.

[1](#)2. (C) BACKGROUND: Ref A states that the Iran Export Bank would provide financing for a proposed hydropower electricity project with the Georgian Investment Group (GIG). Post alerted the GOG (ref D) that the Iran Export Bank may be another name for the Export Development Bank of Iran (EDBI), which was designated by the U.S. Treasury Department under Executive Order (E.O.) 13382 on October 22, 2008, for providing financial services to entities engaged in developing Iran's weapons of mass destruction (WMD) programs (ref B). The GOG responded with a request for additional guidance regarding a new financing scheme, with a private Iranian company called Sunir (ref C). The power purchased from Iran would now be sold to Turkey.

[1](#)3. (U) Sanctions: While it is impossible to make a final determination without all of the details of a particular transaction, this proposed project does not appear to trigger sanctions under the Iran Sanctions Act (ISA) given that the activity would take place outside of Iran. It also does not appear to violate U.S. domestic sanctions programs, given that the entities involved are not U.S. persons. Post should refrain from providing legal advice on sanctions to host government or companies, but available information does not indicate that U.S. sanctions would be violated.

[1](#)4. (U) Nonetheless, such business deals with Iran or Iranian entities, particularly in the energy sector, undercut international efforts to maintain pressure on Iran while it continues to defy its international obligations. Iran has a history of using new energy deals as opportunities to proclaim itself as a fully-integrated and responsible member of the international community. The Government of Iran also uses such announcements to create the impression that multilateral sanctions have little effect on Iran's economy.

[1](#)5. (C) ACTION REQUEST: Post is requested to urge the Government of Georgia to refrain from accepting Iranian investment to develop hydropower in Georgia for export to Turkey, drawing on the points in paragraph 6.

[1](#)6. (U) Post may draw from the following points with Government of Georgia interlocutors in the Ministries of Foreign Affairs, Energy, and Finance as appropriate:

-- We appreciate the Government of Georgia for contacting us about this potential hydropower deal with Iran.

-- We urge Georgia to refrain from expanding or entering into new deals with Iran, whether commercial or government-supported. Such ties undermine the effectiveness

of measures to hold Iran to its international obligations.

-- Iran's commercial activities are designed, in part, to create incentives to members of the international community to side with Iran in international fora, and at the very least cause countries to think twice about criticizing Iran or its actions.

-- On October 16, 2009, the Financial Action Task Force (FATF) reaffirmed its February 25, 2009 statement recommending that members advise their financial institutions to give special attention to business relationships and transactions with Iran, and to apply effective counter-measures to protect their financial sectors from the risks of money laundering and terror financing inherent in such dealings with Iran.

-- We understand that Iran is a neighbor and that Georgia does not want to have a problematic relationship with Iran. We look forward to time when Iran takes its place as a responsible member of the international community that respects the rights of both its own people and its neighbors.

End points.

17. (U) Post is requested to report any substantive response front channel. Raj Wadhvani (202-647-2513) is the Department point of contact for this demarche.  
CLINTON